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RATE REVIEW COMMITTEE
MEETING MINUTES
July 6, 1992

METRO STAFF PRESENT

Phil North
Maria C. Roberts

RATE REVIEW COMMITTEE MEMBERS PRESENT

Ruth McFarland
Andy Thaler
Elenora Christine Fielder
Steve Schwab
Ross M. Hall
Shirley Coffin
James Cozzetto Jr.

GUESTS

Mr. Marshall
Mr. Calcagno

Chair McFarland brought the meeting to order.

The Minutes for the April 8, 1992 and June 3, 1992 meeting were approved as submitted.

The third agenda item was presented by Mr. Marshall: Evaluate request from Charles Marshall regarding an increase in transfer and transportation fees charged at the Forest Grove Transfer Station.

Mr. Marshall said that in his letter of May 6, they indicated they did not expect a substantial price and cost increases, however, subsequent to that letter two events had occurred which has meant substantial cost increases, as described in his June 15, 1992 letter.

Mr. Marshall described the change of events as 1) a change in the enforcement of the PUC regulations governing the transportation over Highway 47 (axle distribution) which effectively reducing their payload (23.3 tons per trip in '91 -- 20 tons per trip from this point forward).

Chair McFarland asked Mr. Marshall if all of their loads had to be transported over Highway 47 no matter where it comes from.

Mr. Marshall replied they did and this would obviously require more hours which requires more driver hours and more equipment.

Mr. Marshall continued that secondly, Riverbend Landfill had recently been sold from K.E. Enterprises to San Rafael Corporation, and effective June 1, they reduced their operating hours from 15 hrs. per day to 11 hrs. per day, which reduced their operating hours from 16 hrs to 12 hours. This means they will have to carry more garbage in smaller trailers in fewer hours. Mr. Marshall distributed (and discussed) schedules which illustrated the profit/loss of the company due to the changes.

Ms. McFarland asked if the diesel fueled trucks attained the same miles-per-gallon with 20 tons as with 23.

Mr. Marshall said there was a little difference but the terrain was fairly level and it was not significant.

Mr. Schwab indicated that Mr. Marshall had indicated an inflation figure of 5% and asked where he got that number.

Mr. Marshall said he had received that figure from Price Waterhouse who was researching this area on behalf of the Washington County Haulers. Mr. Marshall said his drivers (5 full time) were non-union and below union wage and that only one of them had received an increase during the past two years.

Chair McFarland asked for assurances from Mr. Marshall that if the rate increase were granted that the drivers would indeed receive the 5% wage increase.

Mr. Marshall, discussing an asset increase on one of the schedules, said the purchase of two truck and tractor units (one new, one used) was necessary due to handling smaller loads and the decrease in hours.

Mr. Schwab asked what life the equipment had, 10 years or 15 years?

Mr. Marshall said the equipment was depreciated over 8 years on the truck and 10 years on the trailers. He said he had used the rate schedules from Mr. Calcagno's CPA.

Mr. Thaler asked if Mr. Marshall used the \$25.50 in his pro forma figures, or did he use the \$22.75, in other words were they figured with the increase?

Mr. Marshall said they were. Mr. Marshall said they were asking for an increase of \$2.75 (changed from their prior request). Mr. Marshall assured the committee that engineering and legal costs which had been incurred in connection with the withdrawn RFP which Metro had requested, had been eliminated from the proforma as the committee had made it perfectly clear that those costs were inappropriate in determining a rate increase.

Mr. Schwab asked Mr. Marshall what "penalties" under operating expenses were referring to.

Mr. Marshall said they were penalties assessed due to overweight vehicles.

Chair McFarland said that if there were no more questions she would like to ask the SW staff to present their recommendations on the rate increase.

Mr. North replied that staff had not gone into any in-depth analysis of the numbers presented by Mr. Marshall and they presumed his mathematics was correct. Mr. North asked the committee members if they had any further analysis they would like before the matter was presented before the Council Solid Waste Committee, they would be happy to do that but they did not have any recommendations at this time.

Ms. McFarland reminded the committee they were merely advising the Council Solid Waste Committee but she suspected they would pay their advice a great deal of attention.

Mr. Thaler made a motion that the Committee accept the rate increase as it was presented at this time to the Council Solid Waste Committee.

The motion was made and seconded and the motion passed unanimously.

Chair McFarland asked staff to confer with Mr. Houser and to make some additional analysis on the figures presented.

Mr. North said he wanted to offer an additional comment, one that he had made at the prior meeting which had to do with the standards under the Franchise Code for rate review requests and approvals. Mr. North said he was mentioning this because it was his opinion there were some ambiguous provisions in the franchise code in terms of analyzing rate requests and he would try to present some analysis on how that impacts the presentation. Mr. North said that Metro's general counsel had made the ruling that any franchise amendment is dealt with as an ordinance and would require a reading before the Council, and then referred to the Council Solid Waste.

Chair McFarland said that additionally it might have to be referred to the Council Finance Committee. Ms. McFarland thanked Mr. Marshall and Mr. Calcagno for coming.

The next agenda item: Discuss draft of Request for Proposal for a review of Metro's Solid Waste Disposal Rate Setting Process was reviewed.

Ms. Roberts said the staff were requesting two specific consulting services: 1) an evaluation of the fiscal year 92-93 rate setting process, i.e., how the expenses had been allocated and whether the correct expenses had been allocated to the proper account and in keeping with the purpose it was intended as well as an analysis on non-rate revenue and

credit costs to the rate component, i.e., interest earnings; and 2) Identification of opportunities for improvement, i.e., how the methodology could be improved, limiting those potential improvements to those which do not materially change the rate structure.

Mr. Hall, referring to the Scope of Work, 1A "the evaluation shall concentrate on methodology, accuracy, and matters involving equity." Mr. Hall stated he did not think that equity was the correct word. He thought that they were trying to see if the methodology achieves the policy goal. Mr. Hall would change it to read "... and achievement of policy goals." Further he said it seemed to him that it should be "performance criteria evaluating the effectiveness of the incentives that they had tried to build into the rates." Mr. Hall said it seemed to him there should be a performance criteria that evaluates their (our) ability to predict the effect . .

Ms. Roberts commented that that would be difficult, you would be unable to see the effect of the performance criteria on the model.

Mr. Hall said he wanted a critique on the how well they (the Committee) performed setting the rate based on future assumptions.

Mr. Schwab commented that since they were using PSU's fairly new formula there was no way to effectively check how good that formula was on estimating tonnages. Mr. Schwab said that since Metro was receiving all of the tonnage figures they would be in a better position to know, for instance, how much yard debris was brought in to Metro South at a lesser rate, so they would be in a better position than anyone outside because they (Metro) receive the numbers direct.

Ms. Roberts said that effectively they were asking whether or not those incentives should be included in the rate and whether it should be charged to Tier 1, Tier 2, etc.

Mr. Hall said those were separate questions, but having the consultant evaluate those figures was a good idea.

Chair McFarland said that how effective our incentives had been, for instance, to encourage recycling, was a separate question.

Mr. Thaler suggested that would be especially hard to determine especially due to the City of Portland's methodology, to determine who can take credit (or blame) for the changes.

Chair McFarland said however it may be good to have it "built in to the process".

Mr. Hall replied that the consultant may not be able to tell now, but perhaps they may suggest checks and balances that would enable them to do that in the future.

Mr. Thaler suggested that indeed, if the consultant(s) were experienced in this area, they may have set up these types of performance criteria elsewhere.

Mr. Schwab said he agreed with Ms. Roberts though, that if they had to perform a great deal of research (and historical data) to reach that end, they should in

